

**ALTA MUNICIPAL BROADBAND
COMMUNICATIONS UTILITY**
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
AND SCHEDULE OF FINDINGS
DECEMBER 31, 2005

David A. Maske
Certified Public Accountant
Spencer, Iowa 51301

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ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

OFFICIALS

Name	Title	Term Expires
Dennis Weber	Trustee	June, 2006
C. Alan Wadsley	Trustee	June, 2008
Kevin Walsh	Trustee	June, 2009
Jeff James	Trustee	June, 2010
Tom French	Trustee	June, 2011

DAVID A. MASKE

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Alta Municipal Broadband Communications Utility
Alta, Iowa

I have audited the accompanying financial statements listed as exhibits in the table of contents of this report of Alta Municipal Broadband Communications Utility, a component unit of the City of Alta, Iowa, as of December 31, 2005, and for the year then ended. These financial statements are the responsibility of the Utility's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alta Municipal Broadband Communications Utility as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principals.

In accordance with Government Auditing Standards, I have also issued my reports dated January 25, 2006, on my consideration of the Alta Municipal Broadband Communication Utility's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. Those reports are an integral part of an audit performed in accordance with General Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 4 and page 11 are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. I applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.


David A. Maske
Certified Public Accountant

January 25, 2006
Spencer, Iowa

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2005

Alta Municipal Broadband Communications Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended December 31, 2005. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Operating revenue of the Utility-wide activities decreased 9.4%, or approximately \$86,000 from fiscal 2004 to fiscal 2005. This was primarily from telephone revenue.
- Operating expenses decreased 4.0%, or approximately \$34,500 in fiscal 2005 from fiscal 2004.
- The Utility's total net assets decreased 7.2%, or approximately \$82,800 from December 31, 2004 to December 31, 2005. Total liabilities decreased 17.3% or approximately \$91,500.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

The Utility's basic financial statements consist of balance sheets, statements of revenue, expenses and changes in retained earnings and states of cash flows. The statements provide information about the activities of the Utility as a whole and present an overall view of the Utility's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Other Supplementary Information provides detailed information about the Utility's funds.

BASIS OF ACCOUNTING

The Utility maintains its financial records on accrual basis and the financial statements of the Utility are prepared on that basis.

REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better off or worse off as a result of the year's activities?" The Balance Sheets report information helps answer this question.

The Balance Sheets presents the Utility's net assets. Over time, increases or decreases in the Utility's net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Financial Statements

The required financial statements include a statement of revenue, expenses and changes in retained earnings.

UTILITY WIDE FINANCIAL ANALYSIS

A summary of the changes in net assets follows:

	Year Ended December 31,	
	2005	2004
Revenue:		
Telephone Utility	\$ 540,905	\$ 635,295
CATV & Internet	<u>292,239</u>	<u>283,818</u>
Total Revenue	<u>\$ 833,144</u>	<u>\$ 919,113</u>
Expenses:		
Telephone Utility	\$ 439,918	\$ 477,022
CATV & Internet	<u>383,537</u>	<u>380,898</u>
Total Expenses	<u>\$ 823,455</u>	<u>\$ 857,920</u>
Change in Net Assets	\$ 9,689	\$ 61,193
Net Assets - Beginning of Year	<u>621,449</u>	<u>560,256</u>
Net Assets - End of Year	<u>\$ 631,138</u>	<u>\$ 621,449</u>

BUDGETARY HIGHLIGHTS

Over the course of the year, the Utility did not exceed its budget.

DEBT ADMINISTRATION

At December 31, 2005, the Communications Utility had no outstanding bonds and notes

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives.

BASIC FINANCIAL STATEMENTS

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS

	TELEPHONE	CATV & INTERNET	TOTAL
CURRENT ASSETS:			
Cash In Bank -----	\$ 156,100	\$ -0-	\$ 156,100
Accounts Receivable -----	264,078	25,483	289,561
Prepaid Expenses -----	1,742	1,728	3,470
TOTAL CURRENT ASSETS	<u>\$ 421,920</u>	<u>\$ 27,211</u>	<u>\$ 449,131</u>
UTILITY PLANT:			
Utility Plant in Service -----	\$ 134,491	\$ 751,560	\$ 886,051
LESS – Accumulated Depreciation -----	(45,806)	(222,184)	(267,990)
TOTAL NET UTILITY PLANT	<u>\$ 88,685</u>	<u>\$ 529,376</u>	<u>\$ 618,061</u>
	<u>\$ 510,605</u>	<u>\$ 556,587</u>	<u>\$ 1,067,192</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:			
Cash in Bank – Deficit -----	\$ -0-	\$ 35,548	\$ 35,548
Accounts Payable -----	43,612	321,315	364,927
Other Current and Accrued Liabilities -----	3,815	619	4,434
TOTAL CURRENT LIABILITIES	<u>\$ 47,427</u>	<u>\$ 357,482</u>	<u>\$ 404,909</u>
DEFERRED REVENUE -----	<u>\$ 13,884</u>	<u>\$ 17,261</u>	<u>\$ 31,145</u>
NET ASSETS:			
Invested in Capital Assets -----	\$ 88,685	\$ 529,376	\$ 618,061
Unrestricted -----	360,609	(347,532)	13,077
TOTAL NET ASSETS	<u>\$ 449,294</u>	<u>\$ 181,844</u>	<u>\$ 631,138</u>
	<u>\$ 510,605</u>	<u>\$ 556,587</u>	<u>\$ 1,067,192</u>

See accompanying notes to financial statements.

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2005

	TELEPHONE	CATV & INTERNET	TOTAL
OPERATING REVENUE:			
Sale of Cable Services:			
Basic Cable -----	\$ -0-	\$ 166,696	\$ 166,696
Premium Channels -----	-0-	12,277	12,277
Sale of Telephone Services:			
Local -----	140,131	-0-	140,131
Long Distance -----	38,620	-0-	38,620
Access Fees -----	353,737	-0-	353,737
Internet -----	-0-	108,399	108,399
Miscellaneous -----	8,417	4,867	13,284
TOTAL OPERATING REVENUE	\$ 540,905	\$ 292,239	\$ 833,144
OPERATING EXPENSES:			
Operating Expenses:			
Wages and Benefits -----	\$ 18,733	\$ 26,358	\$ 45,091
Supplies -----	7,728	12,703	20,431
Utilities -----	6,201	6,201	12,402
Other Expenses -----	1,317	1,251	2,568
Circuit Fees -----	19,993	-0-	19,993
Basic CATV Programming -----	-0-	110,179	110,179
Premium Channel Programming -----	-0-	7,984	7,984
Internet Fees -----	-0-	45,085	45,085
Cab Fees -----	73,859	-0-	73,859
Switching Fees -----	89,944	-0-	89,944
Long Distance Fees -----	26,332	-0-	26,332
Access Fees -----	60,131	-0-	60,131
Billing Fees -----	21,071	-0-	21,071
Depreciation -----	4,993	10,078	15,071
Joint Use Fees -----	25,000	66,667	91,667
Total Operating Expenses	\$ 355,302	\$ 286,506	\$ 641,808
Distribution Expenses:			
Wages and Benefits -----	\$ 3,594	\$ 158	\$ 3,752
Operating Expenses and Supplies -----	89	4	93
Depreciation -----	2,976	34,863	37,839
Total Distribution Expenses	\$ 6,659	\$ 35,025	\$ 41,684
Administrative and General Expenses:			
Wages and Benefits -----	\$ 43,511	\$ 33,513	\$ 77,024
Office Supplies and Postage -----	3,715	3,699	7,414
Insurance – Employees -----	5,308	7,230	12,538
Insurance – General -----	5,084	4,857	9,941
Professional Fees -----	3,395	2,499	5,894
Telephone -----	3,214	1,285	4,499
Public Relations -----	5,079	1,149	6,228
Bad Debts -----	657	351	1,008
Technical Support -----	4,700	4,700	9,400
Dues and Subscriptions -----	902	456	1,358
Meeting and Travel -----	153	153	306
Other Expense -----	2,239	2,114	4,353
Total Administrative and General Expenses	\$ 77,957	\$ 62,006	\$ 139,963
TOTAL OPERATING EXPENSES	\$ 439,918	\$ 383,537	\$ 823,455
CHANGE IN NET ASSETS	\$ 100,987	\$ (91,298)	\$ 9,689
NET ASSETS – January 1	428,307	193,142	621,449
Interfund Transfer	(80,000)	80,000	-0-
NET ASSETS – DECEMBER 31	<u>\$ 449,294</u>	<u>\$ 181,844</u>	<u>\$ 631,138</u>

See accompanying notes to financial statements

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005

	TELEPHONE	CATV & INTERNET	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers and Users-----	\$ 466,653	\$ 293,529	\$ 760,182
Cash Paid for Personal Services -----	(65,838)	(60,029)	(125,867)
Cash Paid to Suppliers-----	(428,282)	(307,391)	(735,673)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (27,467)	\$ (73,891)	\$ (101,358)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to Other Funds, Net of Advance Repayments-----	(80,000)	80,000	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets-----	(1,151)	(6,109)	(7,260)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ (108,618)	\$ -0-	\$ (108,618)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	264,718	-0-	264,718
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 156,100</u>	<u>\$ -0-</u>	<u>\$ 156,100</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)-----	\$ 100,987	\$ (91,298)	\$ 9,689
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization-----	7,968	44,941	52,909
	<u>\$ 108,955</u>	<u>\$ (46,357)</u>	<u>\$ 62,598</u>
(Increase) Decrease in Accounts Receivable-----	(71,808)	213	(71,595)
Decrease in Prepaid Expenses-----	62	61	123
(Decrease) in Accounts Payable -----	(61,738)	(11,970)	(73,708)
(Decrease) in Other Liabilities -----	(494)	(412)	(906)
Increase (Decrease) in Deferred Revenue -----	(2,444)	1,077	(1,367)
(Decrease) in Cash in Bank Deficit -----	-0-	(16,503)	(16,503)
NET CASH PROVIDED (USED) BY OPERATIONS	<u>\$ (27,467)</u>	<u>\$ (73,891)</u>	<u>\$ (101,358)</u>

See accompanying notes to financial statements

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Alta Municipal Broadband Communications Utility is a component unit of the City of Alta. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Alta Municipal Broadband Communications Utility provides cable, internet, and telephone services to consumers in Alta, Iowa. Sales of cable, internet, and local telephone services are billed on the 25th of the month for service through the end of the following month. Alta Municipal Broadband Communications Utility is billed by their cable and internet providers on a calendar month basis.

Sales of long distance telephone services are billed on the 25th of each month for usage through the 20th of the month. Alta Municipal Broadband Communications Utility is billed by their telephone providers on a calendar month basis.

Deposits and investments are carried at cost which approximates market value.

Depreciation of utility plant is being computed by the straight-line method over the estimated useful life of the property.

Cost of labor, materials, supervision, and other expenses incurred in making normal repairs and minor replacements, and in maintaining the properties in efficient working condition are charged to expense. Plant accounts are charged with the costs of improvements and replacements, except minor replacements.

Prepaid expenses are amortized using the straight-line method over the estimated useful life.

Vacation vested is recorded as a liability when earned by employees.

For the purpose of reporting cash flows, cash and cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

The Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

NOTE 2 - CASH AND POOLED INVESTMENTS

The Utility's deposits in banks at December 31, 2005 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3.

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contributions to IPERS for the year ended December 31, 2005 was \$6,263, equal to the required contribution for the year.

NOTE 4 - RISK MANAGEMENT

Alta Municipal Broadband Communications Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

NOTE 5 - SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Alta, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

NOTE 6 - UTILITY PLANT

A summary of changes in fixed assets is as follows:

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005
Utility Plant in Service – Telephone	\$ 133,340	\$ 1,151	\$ -0-	\$ 134,491
Utility Plant in Service – CATV & Internet.....	\$ 745,451	\$ 6,109	\$ -0-	\$ 751,560

NOTE 7 - RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Alta Municipal Broadband Communications Utility and the Alta Municipal Utilities have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$110,000 on or before the first day of May each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is 40 years and the first payment became due May 1, 2003. The statement of operations reflects an expense for the year of \$91,667; the balance sheet at December 31, 2005 includes a total accrued payable of \$331,667.

NOTE 8 - COMPENSATED ABSENCES:

The Utility's employees accumulate vacation, sick leave, and "comp time" hours for subsequent use. The employees receive payment for accumulated vacation and "comp time" hours upon termination, retirement, or death, and therefore the appropriate liability has been recorded on the Utility's records.

The employees are not compensated for accumulated sick leave hours upon termination, retirement, or death.

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 9 - INTEREST EXPENSE:

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The Utility had no capitalized interest during the year.

NOTE 10 –TRANSFERS:

During the year ended December 31, 2005, the Telephone Fund transferred \$80,000 to the CATV and Internet Fund.

REQUIRED SUPPLEMENTAL INFORMATION

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
BUDGETARY COMPARISON OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2005

	ACTUAL	BUDGET	VARIANCE FAVORABLE UNFAVORABLE
REVENUE:			
Services -----	\$ 833,144	\$ 792,550	\$ 40,594
EXPENSES: -----	<u>823,455</u>	<u>980,797</u>	<u>157,342</u>
CHANGE IN NET ASSETS	\$ 9,689	\$ (188,247)	\$ 197,936
Net Assets – January 1	<u>621,449</u>	<u>424,360</u>	<u>197,089</u>
Net Assets – December 31	<u>\$ 631,138</u>	<u>\$ 236,113</u>	<u>\$ 395,025</u>

See accompanying independent auditor's report.

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
DECEMBER 31, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41.

In accordance with the Code of Iowa, the Utility annually adopts a budget, following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

DAVID A. MASKE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS AND PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Alta Municipal Broadband Communications Utility
Alta, Iowa

I have audited the financial statements of Alta Municipal Broadband Communications Utility, as of and for the year ended December 31, 2005 and have issued my report thereon dated January 25, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Alta Municipal Broadband Communications Utility's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Alta Municipal Broadband Communications Utility's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions describe above, I believe item 05-I-A is a material weakness. Prior year reportable conditions have been resolved, except for 05-I-A and 05-I-B

Compliance

As part of obtaining reasonable assurance about whether Alta Municipal Broadband Communications Utility's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alta, Iowa and other parties to whom Alta Municipal Broadband Communications Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Utility during the course of my audit.

Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


David A. Maske
Certified Public Accountant

January 25, 2006
Spencer, Iowa

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2005

PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

05-I-A **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Alta Utilities plans to cross train office help as time and workload allows. This should help to eliminate the handling of incompatible duties by an individual employee.

Conclusion - Response accepted.

05-I-B **Electronic Data Processing Systems** - During my review of internal control, the existing control activities in the Utility's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Utility's computer based systems were noted:

The Utility does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- requiring user profiles to help limit access to those who have a legitimate need.

Also, the Utility does not have a written disaster recovery plan.

Recommendation - The Utility should develop written policies addressing the above items in order to improve the Utility's control over computer based systems and a written disaster recovery plan should be developed.

Response - The Utility will investigate the existence of model policies that can be tailored to fit the need of our utilities. If no policies exist, the Utility will develop written policies as time allows.

Conclusion - Response accepted.

ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2005

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 05-II-A **Official Depositories** - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2005.
- 05-II-B **Certified Budget** - Utility expenditures, in the Broadband Communications Utility, during the year ended December 31, 2005 did not exceed the amounts budgeted.
- 05-II-C **Questionable Expenditures** - I noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 05-II-D **Travel Expense** - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.
- 05-II-E **Business Transactions** - I noted no business transactions between the Utility and the Utility's officials.
- 05-II-F **Bond Coverage** - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G **Trustee Minutes** - No transactions were found that I believe should have been approved in the Trustee minutes but were not.
- 05-II-H **Deposits and Investments** - I noted no instances of non-compliance with the deposits and investment provision of Chapter 12B and 12C of the Code of Iowa.
- 05-II-I **Telecommunication Services** - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.